



BRIEFING: FEBRUARY 11, 2014 BOARD MEETING AGENDA ITEM #4

TO: Chairman Richard and Board Members

FROM: Russell Fong, Chief Financial Officer

DATE: February 11, 2014

RE: Finance and Audit Committee Update and Presentation of Financial Reports by Executive Staff

Background

At its February 2012 meeting, the California High-Speed Rail Authority Board created the Finance and Audit Committee and nominated Directors Rossi and Richards to comprise its membership. At the time, the Authority had no Chief Financial Officer and was not appropriately staffed or organized in the area of fiscal management to deliver a project on the scale of high-speed rail.

Since then, the Authority has hired a CFO, built out its Fiscal Services Division, and put in place policies and procedures that are consistent with industry best practices. During the course of these efforts, the Fiscal Services Division has been reporting to the Finance and Audit Committee. These reports include summaries of cost variances, compliance, risk management, and project status.

The Committee has worked with staff to develop appropriate reporting templates that will provide updates to the Board and public on current financial trends as well as the Authority's fiscal control efforts that are critical to project success. This agenda item provides a summary of these reports, establishes a regular reporting mechanism to the full Board going forward, and provides the Board and public with documents submitted to the Finance and Audit Committee.

Discussion

As a part of this agenda item, staff will present the Board with a number of reports. They fall into the categories below:

Financial

As the Authority expands, monthly financial tracking and forecast reporting will provide the Board with the relevant financial issues impacting project delivery. The Fiscal Services

Division has developed several reports that allow for current reference to spending trends, contract status, project expenditures, and cash management.

At its September 2012 meeting, the Board adopted Resolution #HSR12-24 regarding delegation of authority to the Chief Executive Officer. The resolution included a stipulation that, “a list of all new or amended Authority contracts with a value of \$10,000 or more will be periodically presented to the Board by Authority staff.” Staff had previously begun submitting reports on *all* new or amended contracts, and now will be including that information in their regular reports to the full Board, thus meeting the requirements of Resolution #HSR12-24.

Audits

Several external agencies periodically audit the Authority for compliance with government regulations in order to ensure the effective administration and management of public funds. The Authority Audit Office provides independent evaluation and consultation services to the Authority management and the Finance and Audit Committee of the Board for effective communication with these external agencies. The Audit Office will provide the full Board with status reports on external audits, reports issued, and the quarterly status of the Authority’s annual internal audit plan.

Risk Management

The Authority’s Risk Management Plan requires staff to identify, assess, and prioritize risks on a regular basis. This exercise is followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities on the project. The Authority’s Risk Management staff will provide status updates on the current trends of all project risks and the devices established to mitigate the risks.

Project Update

The Finance and Audit Committee has also directed staff to create timelines for a number of internal projects. These timelines will allow the Board to define and measure schedule progress through the lens of actual performance compared to planned performance for a given period. The Fiscal Services Division has developed a centralized report of internal projects to provide this information regularly to the Board and public.

Recommendations

This is an information item; there are no staff recommendations at this time.

Attachments

- January 14, 2014 Finance and Audit Committee Meeting Minutes
- Summary of Financial Reports
- Accounts Payable Aging Report

- Cash Management Report
- Summary of Monthly Budget & Expenditures
- Executive Budget Summary
- Capital Outlay and Expenditure Report
- Total Project Expenditures with Forecasts
- Contracts and Expenditure Report
- Projects & Initiatives Report
- Annual Audit Plan/Second Quarter Status Report
- Construction Package 1 Project Update Report